

City of Detroit

CITY COUNCIL

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ANNE MARIE LANGAN
DEPUTY DIRECTOR
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TO: Joseph Harris, Chief Financial Officer
Finance Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 28, 2008

RE: 2009-2010 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2009-2010 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Friday, May 1, 2009 at 11:00 AM**. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:jgp:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Pamela Scales, Budget Department Director
Ervin Stewart, Budget Manager
Arese Robinson, Mayor's Office

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Finance Department (23)

FY 2009-2010 Budget Analysis by the Fiscal Analysis Division

Summary

The Finance Department is a General Fund agency. The recommended 2009-2010 budget appropriations total \$42.1 million. The department's net tax cost is \$31.5 million, which is \$0.8 million higher than the current year's net tax cost.

The Mayor recommends a net decrease of 21 positions.

2008-2009 Surplus/(Deficit)

The Administration anticipates that Finance will end the year with a \$464,740 net surplus that is due to a \$3.8 million appropriation surplus because of departmental vacancies and a \$3.3 million revenue deficit.

Overtime

The department has an overtime budget of \$749,636 in the current fiscal year. Through March 31, 2008, the department has spent \$802,501 in overtime, \$52,865 over the budgeted amount.

For 2009-2010 the recommended budget for overtime is \$897,828, an increase of \$148,192.

Personnel and Turnover Savings

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2008-09</u>	<u>Filled Positions 3/31/2009</u>	<u>Mayor's Budget Positions FY 2009-10</u>	<u>Over/(Under) Actual to 08/09 Budget</u>	<u>Mayor's Recommended Turnover</u>
Finance Department (23)					
00058 Administration	5	5	4	0	\$ -
00060 Assessments Division	62	54	61	(8)	\$ -
00061 Purchasing Division	22	22	16	0	\$ -
230070 Treasury	61	48	53	(13)	\$ -
230075 Debts and Disbursements	8	8	6	0	\$ -
00063 Treasury Division	69	56	59	(13)	\$ -
230020 Project Administration	3	3	3	0	\$ -
230030 Accounts Payable	12	12	13	0	\$ -
230060 Payroll Audit	17	13	16	(4)	\$ -
230090 Debt Management	0	0	0	0	\$ -
230100 Risk Management	17	16	15	(1)	\$ -
230130 General Accounting	21	13	24	(8)	\$ -
230145 Grants Management	0	3	3	3	\$ -
00245 Accounts Division - Admin.	70	60	74	(10)	\$ -

00246 Accts.-Pension & Employee Ben.	41	31	44	(10)	\$	-
00247 Accts.-City Income Tax Oper.	56	49	48	(7)	\$	-
00832 Departmental Accounting Oper.	34	35	34	1	\$	-
00982 DRMS	1	0	0	(1)	\$	-
11859 Targeted Business Development	5	2	4	(3)	\$	-
23XXXX Unmatched	0	1	0	1	\$	-
23XXXX Leave of Absence	0	5	0	5	\$	-
	70					
TOTAL	<u>365</u>	<u>320</u>	<u>344</u>	<u>(45)</u>	<u>\$</u>	<u>-</u>

The Mayor recommends a net decrease in positions of 21 as detailed by Cost Center in the following table.

Position Changes by Cost Center

	Recommended Position Changes	
<u>Appropriation/Program</u>		
Finance Department (23)		
00058 Administration		
230010 Administration		
Administrative Assistant Grade II - Finance	(1)	
Total		(1)
00060 Assessments Division		
230120 Assessment		
Assessor's Board Coordinator	1	
Executive Secretary II	1	
Executive Secretary I	(1)	
Senior Clerk	(1)	
Office Assistant III	(1)	
Total		(1)
00061 Purchasing Division		
230080 Purchasing		
Principal Purchases Agent	(2)	
Administrative Specialist I	(1)	
Purchases Agent III	(3)	
Purchases Agent	(1)	
Executive Secretary 11	1	
Total		(6)
00063 Treasury Division		
230070 Treasury		
Manager II - Finance	1	
Revenue Collections Specialist	(2)	
Revenue Collector	(2)	
Revenue Collections Clerk	(1)	
Principal Clerk	(1)	
Senior Clerk	(2)	
Office Assistant III	(1)	
Total		(8)
230075 - Debts and Distbursements		

Manager II - Finance	(1)	
Investment Agent	(1)	
Principal Accountant	(1)	
General Manager - Finance	1	
Total		(2)
00245 Accounts Division - Admin.		
230030 - Accounts Payable		
Administrative Assistant Grade III - Finance	(1)	
Head Clerk	1	
Manager II - Finance	1	
Total		1
230060 - Payroll Audit		
Senior Accountant	(1)	
Total		(1)
230100 - Risk Management		
Safety Officer	(1)	
Office Assistant III	(1)	
Total		(2)
230130 - General Accounting		
Manager I - Finance	1	
Principal Accountant	1	
Administrative Assistant Grade II - Finance	1	
Total		3
230145 - Grants Management		
Senior Accountant	2	
General Manager - Finance	1	
Total		3
00246 Accts.-Pension & Employee Ben.		
230040 - Pension		
Clerk - Pension	1	
Office Assistant II	2	
Total		3
00247 Accts.-City Income Tax Oper.		
Senior Accountant	(1)	
Income Tax Investigator	(3)	
Principal Clerk	(1)	
Senior Clerk	(1)	
Clerk	(1)	
Office Assistant III	(1)	
Total		(8)
00832 Departmental Accounting Oper.		
230050 - Departmental Accounting Oper.		
Manager I - Finance	(1)	
Principal Accountant	(1)	
Senior Accountant	3	
Accountant	(1)	
Head Clerk	(2)	
Senior Clerk	(2)	
Office Management Assistant	(1)	
Office Assistant III	2	
Clerk	2	

Senior Bookkeeper	1	
Total		0
00982 DRMS		
230180 – DRMS		
Manager I – Finance	(1)	
Total		(1)
11859 Targeted Business Development		
230025 – Targeted Business Development		
Manager I - Targeted Business	(1)	
Business Analyst	(1)	
Business System Support Specialist	1	
Total		(1)
 TOTAL		 <u>(21)</u>

Budgeted Professional and Contractual Services by Activity

Finance (23)

Budgeted Professional and Contractual Services by Activity	FY 2008-09 Budget	FY 2009-10 Recommended	Increase (Decrease)
Administration	\$ -	\$ 100,000	\$ 100,000
Assessments	784,980	895,104	110,124
Purchasing	-	-	-
Treasury	296,400	281,500	(14,900)
Accounting Operations	1,666,927	2,574,219	907,292
Income Tax Operation	265,000	200,000	(65,000)
Pension & Employee Benefits	<u>3,034,982</u>	<u>3,034,982</u>	<u>-</u>
Total	<u>\$ 6,048,289</u>	<u>\$ 7,085,805</u>	<u>\$ 1,037,516</u>

Significant Funding Changes

The Contractual Services is increasing by \$2.1 million from \$5.2 million to 7.3 million, a 40.2% increase.

Issues and Questions

1. Total revenue collection in the agency is remaining about the same as in the current year \$10.5 million. However the Administration's surplus/deficit for the current year projects a \$3.3 million revenue deficit. Explain the current year revenue deficit and why next year's revenues are projected to increase from current collection levels to those included in the budget.
2. In the current year's budget a new revenue collection was added in the Treasury Division in the amount of \$1.6 million. What portion of the total \$3.3 revenue deficit in Finance is attributable to the Treasury Division?

3. It is often pointed out that there is a large amount of uncollected revenues reported on the City's books. What is amount of uncollected revenues reported in the financial statements? Of this amount what portion is collectible? If all of the revenues are not collectable, why? Shouldn't these uncollectible revenues be cleared from the financial statements in order to present a truer financial picture of the City?
4. Included in the positions recommended to be removed from the Finance Department are the following: 2 Revenue Collections Specialist, 2 Revenue Collector, 1 Revenue Collection Clerk, 3 Income Tax Investigator, among other support titles in the Treasury and Income Tax Divisions. Explain the rationale to eliminate revenue collection type of titles at a time when increasing revenue collections should be given priority.
5. Both contractual services for accounting services and in the recommended budget accounting positions are being increased. What is the long range plans to develop the "right mix" of city positions versus outside accounting services to ensure timely production of the financial statements?
6. Please explain the results of the personal property audit that was contracted through Tax Management Associates (TMA). Will it affect projected collections for 2008-2009, or 2009-2010? Were the reductions in the last 10 years due to failure to file or did it have more to do with businesses closing or leaving the city?
7. Please update the status of the utility tax audit. Who is the contractor performing the audit? Was this service RFP'd? If not, why? What amount of additional collections has the City benefited from as a result of the audit? If the City has not already received increased collections, when would an increase be expected? In what amount?
8. What specific areas will be targeted for re-engineering studies funded by the \$1.0 million in the recommended budget?
9. Explain the need to resurrect the Grants Management Office. What will the section's responsibilities include? What is the savings potential if any?
10. Has the Finance Department administration considered utilizing an afternoon shift in certain areas of the agency in order to process and record daily transactions? This would be similar to banks and other businesses. The goal being to review the daily transactions, verify and record, or investigate and correct while the information etc. is fresh, minimizing reconciliation problems. Rather than letting transactions back up and processing them on an almost batch type of process, much later.
11. As a cost-reducing proposal has the subject of "piggybacking" our income tax form onto the state's form been seriously discussed? This is what many cities in other states do. Has anyone approached the state treasurer about implementing this?
12. Can the Assessment Division provide a complete and comprehensive report to Council on the initial Neighborhood Enterprise Zone target areas designated in

the current year? What is the dollar amount of reduced taxes as a result of the NEZ in the proposed budget? Provide Council with a listing of all tax reductions by type, area, assessed value etc. and the effects on the proposed budget.

13. Both Federal and State Income Taxes can be filed electronically on-line. Is the City moving in that direction? When might citizens expect on-line submission of City Income Tax forms to be available?
14. What developments can you tell Council about concerning the Targeted Business Development program? How many Targeted Business Policy Board meetings have been held this fiscal year? Has a policy statement been developed and adopted? Please provide a copy for Council.
15. How many of the projected 8 business development meetings have been conducted this year? What results can you report to Council?
16. Please explain the over spending in overtime through March 31st, and the need for the increase in the overtime budget for 2009-10.
17. Provide the most recent schedule, if different from the one included in the Major Initiatives for 2008-09, for completion of the Comprehensive Annual Financial Report(s) (CAFR) and Single Audit that are late in being completed. When do you expect to be current with all audit reports?
18. What new or updated Finance Director Directives have resulted from the release of the latest CAFR and management letter? Shouldn't this be one of the results from the use of outside firms to assist the City in the recording and completion of the financial statement in preparation of the audits? Wouldn't new and updated Finance Directives improve the ability of the City staff to consistently enter transactions and prepare financial statements with the intention of reducing the need for outside contracts?
19. What was the previous City policy on interest rate swap agreements? In light, of the changes in the financial industry, what changes have been made to the policy? Or what changes are being considered to the City's interest rate swap policy?
20. Please update Council on the implementation of the Defined Contribution Retirement Plan. What specifically is preventing its implementation?
21. What is the status of the acquisition/construction of a building for the Retirement Systems? What is the current estimate or timetable for relocation of the Pension Office from the Coleman A. Young Municipal Building to a new location?